

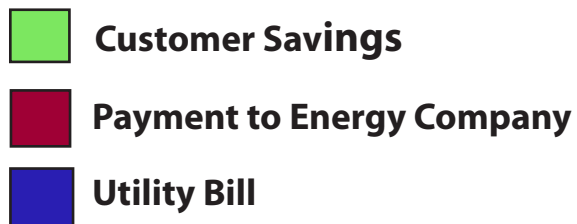
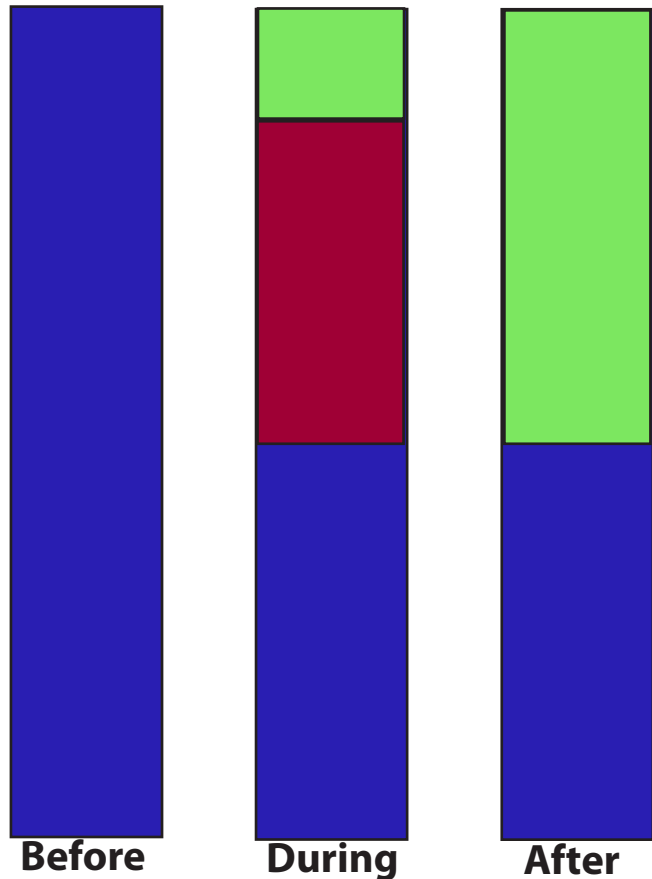
Performance Contracting



Performance Contracting in Rhode Island:

A brief guide to performance contracting for energy savings in the Ocean State.

Performance Contracting



What Is Performance Contracting?

Performance Contracting is a system by which commercial building owners can install energy efficient systems into their buildings, with no upfront costs, utilizing the services of an Energy Service Company (ESCO). Over time, usually seven to twenty years, improvement costs are paid for out of the **guaranteed energy savings**, from the installed systems, as the savings are incurred.

Performance Contracting Is How Commercial Building Owners Can...

- Make Deferred-Payment Capital Improvements to Their Businesses
- Save Energy
- Save Money
- Reduce Pollution Emissions



What Is an Energy Service Company (ESCO)?



An Energy Service Company (ESCO) is a business that develops, installs, and arranges financing for projects designed to improve the energy efficiency and maintenance costs for facilities usually over a seven to twenty year period. ESCOs generally act as project developers for a wide range of tasks and assume the technical and performance risk associated with the project.

How Are ESCOs Different?



What sets ESCOs apart from other firms that offer energy efficiency, like consulting firms and equipment contractors, is the concept of performance-based contracting. When an ESCO undertakes a project, the company's compensation, and often the project's financing, are directly linked to the amount of energy that is actually saved.

ESCOs Typically...

- Develop, design, and arrange financing for energy efficiency projects;
- Install and maintain the energy efficient equipment involved during the life of the contract;
- Measure, monitor, and verify the project's energy savings through metering according to sanctioned engineering protocols;
- Create an "energy efficiency partnership" to help the customer understand how their energy use is related to the business that they conduct;
- Assume the risk that the project will save the amount of energy guaranteed;
- Remove and dispose of hazardous materials from the customer's facility;
- Provide any specialized training needed so that the customer's maintenance staff can take over at the end of the contract period.



ESCO Projects

ESCO projects are comprehensive, which means that the ESCO employs a wide array of cost-effective measures to achieve energy savings. These measures often include the following:

- High efficiency lighting
- High efficiency heating and air conditioning
- Efficient motors and variable speed drives, and
- Centralized energy management systems.

These services are bundled into the project's cost and are repaid through the dollar savings generated. ESCOs strive to provide measures that cut energy costs by 20% to 40%.



The Rhode Island Office of Energy Resources

The Rhode Island Office of Energy Resources (RIOER) screens ESCOs applying for registration in terms of staffing, experience, references and financial stability. Screened ESCOs become Rhode Island Registered ESCOs.

Rhode Island Registered ESCOs

The following companies have registered with the Rhode Island Office of Energy Resources as Energy Service Companies:

Company	Contact	Telephone	Email
Siemens	Jerry Drummond	401-225-5432	jerry.drummond@siemens.com
NORESCO	John Kauppinen	508-614-1052	kkauppinen@noresco.com
CON/ED	Ken Nathanson	781-203-2705	nathansonk@conedsolutions.com
Chevron	John Rizzo	401-524-5334	jrizzo@ad-institute.com

Rhode Island ESCOs With Pending Registrations:

Honeywell

Trane

Johnson Controls



Important Advice on Selecting and Optimizing an ESCO

Although, RIOER screens ESCOs applying for registration in terms of staffing, experience, references and financial stability and believes that they are capable of offering a legitimate service proposal and providing effective energy management services, it is important for business owners to evaluate firms themselves before entering into a contract.



Facilities Owners Should Conduct Their Own Evaluations of ESCOs

Circumstances may have changed since an ESCO was placed on the RIOER list or a more detailed evaluation may reveal an undisclosed concern. Also search for and evaluate ESCOs based on the accreditation criteria of the National Association of Energy Service Companies (NAESCO) at naesco.org



Make Sure There Is a Match Between Your Company's Needs and the ESCOs Capabilities and Specialties

It is also important that you determine whether the skills and specialties of a firm meet your needs. Some firms may handle only large projects, or have a particular technology, measure, method of financing or approach to savings measurement and verification that should be compared to your project needs before you sign a contract.



Engage a Third-Party Engineering Consultant

Engage an independent engineering consultant to help with the process from bidding and selection through construction, commissioning and contract administration. You will want to structure the project and contract so that the costs for the third-party engineering consultant will be covered by the savings from the project. This person will act as an insurance policy, protecting your interests throughout the contract and assuring that promised energy and cost savings are delivered.



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